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STATE FOR WHA/BSC, INL/LP (JIM HIDES)  
EB/IFD/OIA  
STATE PASS TO USAID FOR LAC/AA  
STATE PASS TO USTR FOR LYANG  
NSC FOR SUE CRONIN  
TREASURY FOR OSIA MAUREEN WAFER  
TREASURY FOR OTA WARFIELD, VAN KOCH, MILLAR  
COMMERCE FOR ITA SARAH COOK  
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SUBJECT: PARAGUAY POLITICAL AND ECONOMIC UPDATE APRIL  
14-20, 2007

REF: ASUNCION 0100

Classified By: DCM MICHAEL J. FITZPATRICK; Reasons 1.4(b),(d)

[1](#)1. (U) SUMMARY:

- Asuncion Councilman Seeks USG Support, Gets Earful
- Paraguay, Venezuela Sign Energy Agreement
- NWC Students Visit Paraguay
- IOM Reports 495 Paraguayan Prostitutes in EU, Argentina

ASUNCION COUNCILMAN SEEKS USG SUPPORT, GETS EARFUL

[1](#)2. (C) Asuncion Councilman Gerardo Rojas Paiva met with the DCM April 17 to discuss the municipality's interest in seeking U.S. assistance on cultural initiatives, economic exchange and investments as well as strategic urban planning. Rojas presented a litany of ideas of how the City of Asuncion and the USG can work together. The DCM lamented the fact that the City of Asuncion had not chosen to discuss its plan to remove the security barriers in front of the Embassy. The DCM explained that the barriers protected more than 150 Paraguayans from harm. He informed Paiva that traffic congestion at the intersection in front of the Embassy had more to do with the traffic light which only holds a green light for a mere 18 seconds, rather than the obstruction produced by the barriers and that the Embassy did not appreciate the circus environment as the mayor personally oversaw removal of the security set back. The DCM welcomed direct dialogue/consultation in the future - focusing on security. (reftel)

PARAGUAY, VENEZUELA SIGN ENERGY AGREEMENT

[1](#)3. (C) President Duarte and Venezuelan President Hugo Chavez signed an energy agreement April 17. According to the agreement, Venezuela,s PDVSA will invest approximately USD 600 million to modernize Paraguay,s Petropar oil refinery in Paraguay. The modernization project is expected to bring the refinery,s capacity up to about 35,000 barrels per day (bpd). Alejandro Conti, the Director of ESSO, told EconCouns

that the smallest refinery in Argentina has a capacity of approximately 120,000 bpd and smaller ones have been closed as they are less efficient. Conti expressed skepticism in the press in recent days about Venezuela's planned investment. He noted that nothing of the sort has been discussed in the public-private energy sector group that meets weekly. Conti also pointed out that the very high cost of transporting crude from Venezuela to Paraguay by boat makes it hard to imagine how such an arrangement could be economically viable. While some here suggested the deal makes sense if/when Paraguay discovers oil in the Chaco, the real motive is clear: to grease bilateral relations by providing current Colorado leaders with more untraceable and unaccountable funding.

#### NWC STUDENTS VISIT PARAGUAY

¶4. (C) Nine students and two faculty from the National War College (NWC) visited Paraguay April 16-18 to conduct a field study and become familiar with national issues. The NWC group enjoyed fruitful discussions with Vice Foreign Minister Frederico Gonzalez Franco, Vice Defense Minister Col. (Ret.) Cesar Aguilera Torres, Congressional Presidents of the Defense and International Affairs Committees of both Houses, their military counterparts, representatives from the American Chamber of Commerce in Paraguay (AMCHAM) and the president of the National Cooperatives Institute (INCOOP). The students heard that the Duarte Administration and the Legislative branch are both more interested in trade with the U.S. versus receiving aid. In addition, they gained significant insight into the challenges that the military faces in accomplishing its mission as well as its desire to modernize to meet those challenges. INCOOP and AMCHAM both explained the complex economic conditions and the need to

create jobs for the population, noting that the government has helped in some areas but seriously hindered progress in others.

#### IOM REPORTS 495 PARAGUAYAN PROSTITUTES IN EU, ARGENTINA

¶5. (U) Cynthia Bendlin, local contract representative for the International Organization of Migration (IOM), reported April 14 that IOM has registered 495 Paraguayan victims of TIP between 2000 and 2004 in Europe and Argentina. Bendlin noted that most of those victims are in Spain and are tricked by traffickers into the prostitution business. She said that victims are often promised work in other areas but when they arrive they are forced to give up their travel documents (which in many cases are falsified). (NOTE: This is a small representation of the actual number of victims. Many cases go unreported by the victims because of fear of repercussion by the traffickers. END NOTE).  
CASON